

<u>Federal Communications Commission</u>	
Docket No. <u>93-155</u> Exhibit No. <u>THREE</u>	
Presented by <u>RICHARD BOTT II</u>	
Disposition	Identified <input checked="" type="checkbox"/>
	Received <input checked="" type="checkbox"/>
	Rejected <input type="checkbox"/>
Reporter <u>M.K. FLEISHMAN</u>	
Date <u>10/26/93</u>	

**TESTIMONY OF  
RICHARD P. BOTT, II**

I, Richard P. Bott, II do hereby declare as follows:

I am the permittee of Station KCVI(FM), Blackfoot, Idaho, and the assignor in the application designated for hearing in MM Docket Number 93-155.

I have read the Hearing Designation Order in this docket. That order contains the mistaken claim that in connection with this assignment application I stated that throughout my six-year effort to obtain the KCVI permit I maintained an intention to operate KCVI with a commercial religious format. Based upon my reading of the order it appears to me that this mistaken claim is the cause of the designation of the assignment application for hearing on the misrepresentation or lack of candor issue.

I had not decided while prosecuting my permit application to operate the station with a commercial religious format and have not represented in this assignment proceeding that I did. My testimony in the comparative hearing concerning a format decision was truthful, as was my representation in this assignment proceeding that I made my format decision in 1991. I cannot imagine why I or any applicant would have decided on a format in 1987 for a station that wouldn't go on the air for years after. The Mass Media Bureau has admitted that it has no evidence to support the mistaken claim in the Hearing Designation Order that my hearing testimony is in

conflict with my representation in this case concerning when I decided upon a format.

The only other factual questions which the Hearing Designation Order appears to raise relate to my discovery, after I made my decision to operate KCVI with a commercial religious format, that Station KRSS in Chubbuck, Idaho was being acquired by a new owner which intended to employ such a format and to increase that station's power. The order appears to question, first, why "the format issue became so critical" and, second, why, with KCVI's apparent coverage advantage over KRSS, it was important to me that KRSS was introducing a commercial religious format before KCVI could do so.

In response to the first question, the format decision I made for KCVI in 1991 was based upon my business judgment that the radio broadcast industry was generally in a depressed economic state as was the overall U.S. economy. My judgment was based upon what I read and heard about the broadcast industry's economy and the national economy. A sample of the economic news reports I read in 1991 is attached. I believed that a commercial religious format, which produces a substantial amount of revenue from the sale of blocks of time, on long-term contracts, to religious organizations, was more resistant to the economic downturn than were other formats which are much more dependent for revenue on the selling of spot announcements to commercial advertisers. Information I had showed that in 1991 there was not a commercial religious format in use by any station in the market my Blackfoot station would serve. It was

my judgment that given my many years of experience working for and managing stations with commercial religious formats combined with contacts I had developed with buyers of time for religious programs, I could operate KCVI successfully with that format. On the other hand, in the economic downturn I believed I was not likely to be successful launching a format supported primarily by revenue from spot advertisers. I had knowledge of such formats and they were among those open to consideration prior to my 1991 choice of format. It is my belief that spot advertisers (retailers and the like) traditionally spend less money on advertising during economic downturns, and that stations dependent on such advertising can suffer significant revenue losses.

Having made the business judgment to operate with a commercial religious format, when I later learned of the plans for KRSS I believed that the prospects for the success of my station had suffered a substantial adverse effect. I knew that the market I would have served with KCVI could not then support two stations with commercial religious formats. Nevertheless, I proceeded with my planning for the station as described in my declaration of November 9, 1992.

In response to the second question, the market I would have served with KCVI is within the Snake River Valley of southeastern Idaho, containing the larger cities of Idaho Falls in the north and Pocatello in the south. Blackfoot is midway between the larger cities and Chubbuck is adjacent to Pocatello. In my judgment coverage of Idaho Falls and Pocatello and the area in between will

make a station competitive in that market. Based on my experience in radio I believed that KRSS with its power increase from a mountaintop site would cover that area. Because the Hearing Designation Order suggests that my credibility is "further eroded" by the disparity between the KRSS and KCVI coverage figures cited in that order, I commissioned an engineering study showing the effect on KRSS's coverage of its mountaintop site in the terrain of the Snake River Valley. That study, by the firm of Suffa and Cavell, which will be offered in evidence, confirms my belief about the range of the KRSS signal, and shows that its signal will cover Idaho Falls, Pocatello and the area in between including Chubbuck and Blackfoot.

In summary, as to the specific factual questions which are raised in the Hearing Designation Order and discussed above, I did not misrepresent or lack candor in the comparative hearing or in this assignment proceeding. I have given two prior declarations in this proceeding, and they are submitted as attachments to and are part of this written testimony. Each was intended to be, and I believe was, truthful.

I have reviewed my direct written testimony in the comparative proceeding, attached to this declaration, concerning my intention to move to Blackfoot and to be the full-time manager of the Blackfoot station, and neither that testimony nor my testimony on cross-examination concerning those plans contained misrepresentations or lacked candor.

I hereby declare under penalty of perjury that the foregoing  
"Testimony of Richard P. Bott, II" is true and correct.

Signed and dated this  
8<sup>th</sup> day of October, 1993

By: 

Richard P. Bott, II

WASHINGTON THIS WEEK (Cont'd)

is currently silent); and WSVA/WQPO Harrisonburg VA would enter into a time brokerage agreement with the owners of WPKZ Elkton VA. Now that we apparently have the FCC's blessing on these arrangements many more stations "waiting in the wings" should adopt these type of arrangements. Still to come will be the inevitable license challenge on public interest grounds. M Street wonders why we put new station applicants through the test we do if they are allowed to turn around and give the stations to someone else to run?

The FCC has reversed its previous decision in granting a new major FM facility in Des Moines IA. In granting the decision to the previously rejected Midwest Radio, Inc., the FCC decided that its Review Board had erred in treating local residency and civic activities as separate enhancement factors. Combining the factors gave Midwest the decision over competing applicant Ronald Sorenson.

In other actions, the FCC dismissed a petition by Mableton Broadcasting Co. seeking a declaratory ruling on whether the ALJ in the proceeding lacked authority to compel MBC's full participation in the remanded hearing for a new FM in Mableton; and upheld its previous grants to Horace E. Perkins for a new FM in Columbus OH and to W & B Broadcasting, Inc. for a new FM in Radcliff KY.

Mark Pierce has been denied a Freedom of Information Act (FOIA) request for FCC files. Pierce, a reporter for Ace magazine, had sought information on targets of ongoing FCC investigations regarding the operation of pirate radio stations.

New FCC people: Karl Kensinger has been named a Special Assistant to the Chief of the Mass Media Bureau. Kensinger has previously held a variety of positions within the MMB and the FCC's Legal Branch. Michael C. Ruger has been appointed Assistant Chief of Allocations Branch within the Mass Media Bureau; he also moves up from the Legal Branch. And, Andrew J. Rhodes has been appointed Chief of the Allocations Branch. He was previously serving as Acting Chief of the branch.

ELSEWHERE

In one of the better promotional stunts accompanying a format change recently, Entercom's KBRD Tacoma-Seattle is set to become KMTT, "The Mountain," at 2 PM on Wednesday, April 10. Ahead of the change, KMTT ran spots promoting the imminent debut of "The Mountain" on its competitor, Bonneville's KSEA. Says one KSEA staffer: "We thought it was for a movie." The spot did contain the legal sponsors name "Entertainment Communications, Inc."

The Radio Advertising Bureau has announced that radio industry revenues were down 4.9% nationally in January 1991, compared to the same month in 1990. Hardest hit was the Southwest region, where national revenue was off by 23.1%. Faring better were the West, where national revenue was down by only 1.3%; and the Southeast, whose local revenue fell by only 0.4%.

The state of Virginia has enacted into law a proposal to give tax credits to state broadcasters that run public service announcements opposing substance abuse. The legislation becomes available July 1, 1991. The law is thought to be the first of its kind in the country.

The NAB has filed a petition to urge the FCC to implement broad federal regulations that would supersede local ordinances governing uses of satellite dishes, radio and television antennas. The petition is in response to a local New York zoning ordinance restricting outdoor satellite dishes; however, local initiatives have also been aimed in recent years at placement of radio and television antennas, particularly in densely populated areas where RF radiation dangers are cited as a concern.

The 80-year-old owner of WCRB-FM Waltham (Boston) MA has signed an agreement that will insure the fine arts station will be his legacy for - well, for a long time. Jones has announced that he has set up a trust fund to administer the station after his death. The fund is obligated not to sell the station or change its format for the next 100 years - possibly long after the station's format and even current radio technology is obsolete.

UPI has reportedly stopped severance pay to a number of former employees. The troubled broadcast and wire service has been for sale since late 1990, and is currently in bankruptcy proceedings.

The British Broadcasting Service's short-wave "World Service" has announced an expansion of programming and staff for the coming year. Some \$1.7 million will be



# RADIO BUSINESS REPORT™

Voice of the Radio Broadcasting Industry

Editor & Publisher — Jim Carnegie

Volume 8, Issue 29  
Report 286

July 22, 1991

## RADIO RESEARCH SERIES

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SELLS MORE RADIO.

NOW AVAILABLE . . .

## AM RADIO: NEW SUCCESSES FOR ADVERTISING

AM Radio has always been of vital importance to the American Public

- AM Radio experiences unprecedented gains as Americans need to be kept informed of news events like the war with Iraq.
- In 47 of the top 100 markets, AM stations are in the top three for total market reach.
- Almost half of all Adults 25-54, now listen to AM Radio at least once during the week.
- AM Radio delivers one out of every four adults 12 years of age and older.
- AM radio attracts a healthy radio listening percentage (35%) of the adults 35 and older age group.

See inside for further information.



AN ALLIANCE FOR GROWTH

THE INTEREP RADIO STORE

### RADIO NEWS

- ☐ **FCC digs deeper into KROQ murder hoax** ..... page 5  
The FCC's Chief Administrative Law Judge has been directed to conduct an official, closed-to-the-public investigation.
- ☐ **Largest LMA sees a new twist: Ring Radio files Chap. 11** ..... page 5
- ☐ **LMA's raise ratings pricing questions** ..... page 5
- ☐ **Providence Talkers concoct on-air murder hoax** ..... page 6
- ☐ **Sun Radio Network: "We're not for sale"** ..... page 6

### RADIO ECONOMICS

- ☐ **RBR/Miller, Kaplan report for May: more of the same** ..... page 6

### RADIO WATCH

- ☐ **Consultant E. Karl crystal balls the programming trends** ..... page 8

### RADIO WARS

- ☐ **Flagship call letter status for CBS's LA FM; more Arbitrons** .... page 8

### PROMOTION & MARKETING

- ☐ **Interop adds Urban as second format network** ..... page 6

### FCC & POLITICS

- ☐ **On-air hoaxes may spur new FCC rule** ..... page 6
- ☐ **Is it a Saga saga in Springfield, IL? WTJY-FM thinks so** ..... page 6

### COMPETING MEDIA

- ☐ **Digital Music Express gets a \$12.5 Million injection** ..... page 7

### Media Mergers & Acquisitions

- ☐ **United Broadcasting may be back on the block** ..... page 10  
It looks like the sale/dismantling of *United* is in the cards. *RBR* hears the stations have been listed with a broker, but who?
- ☐ **Sandusky Radio sells San Diego FM for \$10.1 Million** ..... page 10
- ☐ **Now Adams Communications restructures from the top** ..... page 10
- ☐ **Simon T parks his Winnebago at Beasley as acting COO** ..... page 11
- ☐ **Minnesota Public Radio sells its AM for \$1.3 Million** ..... page 11
- ☐ **Utica combo sells for \$1.3 Million** ..... page 11
- ☐ **WERK/WOKZ Muncie combo brings \$625,000** ..... page 11

### DEBTS IN MOTION

- ☐ **Durham Corp.'s buyout group gets its financing** ..... page 11

### QUESTION OF THE WEEK

- ☐ **What's your business prognosis for the next six months?** ..... page 12

*RBR—The fast read for the fast track*

Meanwhile at *Birch*, President Bill Livek says his firm already has several clients doing sales LMA's, and they all get the same deal: the second station gets the Birch service for 50% of the first station's rate. Livek says Birch rates are the same for all stations in a given market. Livek told *RBR*, "We already have *Citidel* as exclusive clients for their sales LMA in Colorado Springs, and Tom Birch's *Opus Media* is a client at their LMA in Jackson."

✓ **Sun Radio Network denies sale rumors** — A Milwaukee *Journal* report says the *Sun Radio Network* is for sale, along with WEND Brandon (Tampa), FL, for \$8.5 Million, through Orlando-based broker Doyle Hadden. But *Kayla Satellite Broadcasting Network*, the parent company of Sun Radio, denies "all rumors that the broadcast entity is currently for sale" and, without naming the *Journal* directly, said "There is one newspaper writer who is bent on trying to destroy us.... It's a simple case of yellow journalism."

The *Journal* article, headlined "Liberty Lobby puts radio network up for sale," ties Sun to the ultra-conservative Washington, DC-based group. Kayla has filed to go public. The SEC documents describe Liberty as a "major customer" and "principal stockholder" in Kayla, and reveal that Liberty owns 49.11% of Kayla. Liberty Lobby and the *Foundation for the Defense of the First Amendment* (both with the same DC address) collectively own 67.08% of the outstanding shares of common stock in the company.

Kayla President/CEO Larry Wyman told *RBR* "If there's a God in heaven, I never signed a piece of paper" with Hadden for the sale of either Sun or WEND. Wyman also told *RBR* there had been "no conversations" directing Hadden to sell Sun or WEND.

Kayla pays WEND's owner, *Asti Broadcasting*, a total monthly lease of \$20,100; \$13,100 as affiliate compensation and \$7,000 as a monthly payment for the option to buy WEND.

✓ **Murder Hoax at Providence Talk station** — At WALE-AM in Providence, the afternoon team recently decided to announce on the air that the regular talk host had been shot in the head at the studio. Many listeners called 911 to summon emergency medical help and the police. The police were tuned in and responded almost immediately. WALE Operations Manager Rob Michaels said when he heard the comments on the air, he rushed to the studio only to discover the hoax. Michaels fired all three staffers involved, and immediately announced on the air that the incident was faked. Michaels repeated the disclaimer every half hour for 24 hours. "We did everything we could reasonably be expected to do, and did it immediately," Michaels told *RBR*.

✓ **Sports show among choices pondered by BRN** — *Business Radio Network*, the 24-hour network that recently planned to drop its weekday hourly sports news (*RBR* 7/1) is now considering adding a sports talk show on weekends.

"Computing Success," "America's Dining & Travel" and "Women's Business Exchange" are among the one- and two-hour consumer-oriented programs BRN currently runs on the weekends. According to VP/Affiliate Services Pat McCrummen, BRN is considering a number of possibilities for additional weekend day and evening programming but nothing has been finalized; a sports talk show, however, is under consideration.

McCrummen said about 60% of BRN's 85 affiliates carry BRN's evening and weekend line-up.

#### RADIO REVENUE

✓ **RBR/Miller, Kaplan report for May: status quo** — If there is anything good to say about the current state of affairs in local radio revenue, it's that the gap between last year and this year seems to be getting slimmer.

According to an exclusive tally of state and regional figures

supplied by *Miller, Kaplan, Arase & Co.*, each of the six US regions tracked by *RBR* is still pacing behind last year in local ad revenue.

Important note: The *RBR/Miller, Kaplan* revenue report is a special tabulation of revenue figures supplied to Miller, Kaplan by major market radio stations. The numbers are a general indication of revenue trends in a region. It should be noted that many smaller markets do not report revenues.

Look for a complete rundown of the latest numbers next week.

Local revenue growth rates for the  
(all dollar figures \$000)

Region	Local (\$000)	% change
Northeast	143,451.0	-4.8
Southeast	207,319.0	-3.8
South Central	103,249.0	-2.6
Midwest	49,235.0	-5.6
Rocky Mountain	62,014.0	-3.2
West Coast	251,014.0	-6.1

#### PRODUCTION & MARKETING

✓ **Interp adds Urban as second format network** — The *Interp Radio Store* is forming a format network linking Urban radio stations for ad buys. This is the second Interp format network. (Country was first.) Interp Product Manager and *Major Market Radio/Detroit* Sales Director Brian Knox told *RBR* his goal "is to get out there and educate the advertiser about the black consumer and dispel the many myths and misconceptions that exist." He claims there are major national advertisers that will not buy Urban Contemporary radio—from automobile manufacturers to brewers, airlines and banks.

Knox plans to be on the street with his new format network by mid-August.

Knox added "There is not enough research on the black consumer." He noted Interp has retained Washington, D.C.-based *Alexander & Associates*, a leading research firm focusing on the black consumer, to assist them. Interp has 80 Urban affiliates, among them, WBLS and WRKS New York, WVEE Atlanta, WGCI Chicago, WJLB Detroit and KKBT Los Angeles.

#### CONSUMER

✓ **On-air hoaxes may spur new FCC rule** — Now that "indecent" is forbidden by the FCC, some drivetime personalities are turning to staged hoaxes to generate attention (see above stories). The situation obviously has regulators concerned.

FCC Mass Media Bureau Chief Roy Stewart has told the *Maryland-DC-Delaware Broadcasters* that his staff is considering asking the Commission to pass a new anti-hoax rule. Stewart told *RBR*, "Right now, our only options are a slap on the wrist [a fine] or license revocation. If someone goes too far, there should be some middle ground."

NAB's lawyers expressed concern about how such a rule would be applied. General Counsel Jeff Baumann told *RBR*, "It may be difficult to draw the line between satire and something intended to deceive the public. The whole area is very difficult."

✓ **Move to block upgrade backed by Saga?** — WTJY-FM, Taylorsville, IL says an application to put a new station in Virginia, IL is a secret move by *Saga Communications* to prevent WTJY from raising its power to cover nearby Springfield. WTJY owner *USA Radio Corp.* charges that Saga backed the applicants for the Virginia channel to snuff out future competition to WYMG-FM, Saga's station in the Springfield market. USA says it has no hard



By Damian Strohmeyer  
**ARTURO BARRIOS:**  
 Favored to win, 10C

## LEAD BY 5 1/2 IN AL EAST

DODGERS BEAT REDS 5-2;  
 PIRATES GET BY METS 3-1  
 ► BASEBALL REPORT, 1,4-7C

## U.S. BASEBALL TEAM BEATS MEXICO

► 10 U.S. WRESTLERS WIN  
 ► PAN AMERICAN GAMES, 1,7,10C

**WEDNESDAY, AUGUST 7, 1991**

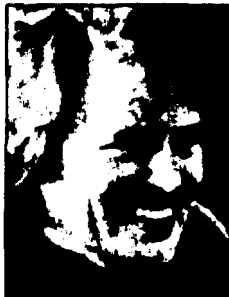
# NEWSLINE

A QUICK READ ON THE NEWS

**WALL STREET:** The Dow Jones average leaps 38.24 points to 3027.28 after the Federal Reserve cuts interest rates to breathe life into sagging economy. 1A, 3B.

**DAHMER DEFENSE:** Eight more counts of murder are filed amid speculation confessed killer will plead insanity; defense lawyer Gerald Boyle aims for justice. 3A.

**EARTH'S SHROUD:** Astronaut Shannon Lucid, left, and her colleagues on the space shuttle Atlantis say a thick haze, possibly from Kuwait oil fires, is surrounding the planet. 3A.



Reuters  
**LUCID:** Says views  
 aren't as clear

**TOXIC SCARE:** Pregnant women living near Dunsmuir, Calif., chemical spill are warned of risk for birth defects, miscarriages. 3A.

**EVANGELIST TRIAL:** Jimmy Swaggart admits accusing rival preacher of adultery. 3A.

**SHAMU DIES:** Sea World's star killer whale is mourned. 2A.

**MIDWEST CROPS:** Soaking rains during planting season and a parched harvest spell disaster for farmers. 7A.

**GRASS-ROOTS OPPOSITION:** Leadership Conference on Civil Rights is expected to launch campaign against Supreme Court nominee Clarence Thomas. 3A.

**PRESIDENTIAL RACE:** How potential candidates decide if they'll enter fray; family considerations. 7A.

► W.Va. Sen. Jay Rockefeller is expected to announce today that he will not seek the Democratic nomination. 7A.

**PENNSYLVANIA RACE:** Federal appeals court ruling paves way for special senatorial election Nov. 5. 5A.

**GERM WARFARE:** Iraq says it experimented with

**No. 1 IN THE U**

## Bush :

By Richard Benedetto  
 and Justin Burke  
 USA TODAY

Getting away from it translates differently for President Bush and Soviet leader Mikhail Gorbachev.

It will be four weeks of p for Bush, who arrived Tuesday evening in Kennebunk

## Fed m

## U.S. joins





By Mitchell Layton  
**MATT BAHR:** Kick re-  
 calls title game, 7C

## OPENER 16-14

**MATT BAHR HITS 35-YARD  
 FIELD GOAL WITH FIVE  
 SECONDS LEFT IN GAME**  
 ► GAME REPORT, 1,7,8C

## BARCELONA BATTLE: JORDAN vs. THOMAS

**MICHAEL JORDAN WILL  
 PLAY IN OLYMPICS - AND  
 ISIAH THOMAS WON'T, 1C**

**TUESDAY, SEPTEMBER 3, 1991**

# NEWSLINE

A QUICK READ ON THE NEWS

**WALL STREET:** The stock market's new year begins amid stagnant economic recovery that has analysts cutting earnings estimates; stock prices may drop. 1B.

**SEARCHERS ABDUCTED:** Three U.S. citizens who were looking for remains of Noah's Ark are believed to be in the hands of Kurdish rebels in eastern Turkey. 3A.

**'MATH ... WHO NEEDS IT?'** California high school math teacher Jaime Escalante, left, hosts a PBS back-to-school special that features celebrities and ordinary people describing how they use mathematics. 4D.



Warner Bros.  
**ESCALANTE:** Will  
 'stand and deliver'

**PROTECTOR:** Michigan woman, 62, saves husband from bear attack using binoculars. 2A.

**RECOVERING:** TV evangelist Robert Schuller in stable condition after blood clot on brain. 2A.

**WON'T RUN:** Ralph Nader isn't interested in presidency. 2A.

**ANIMAL RIGHTS:** Some say People for the Ethical Treatment of Animals goes too far in use of graphic descriptions, photographs to grab attention for movement. 3A.

**CAMPUS CRIME:** New federal law says colleges must provide statistics for FBI's annual crime roundup. 3A.

**DEADLY WATERWAY:** Florida's St. Johns River has a killer reputation; crowding, alcohol are factors. 8A.

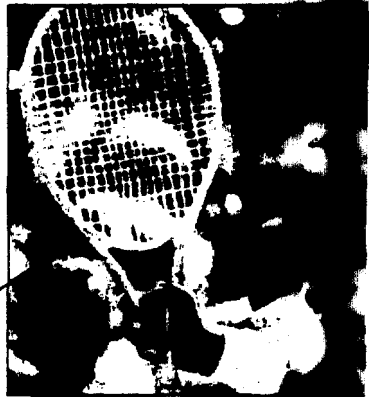
**BACK TO SCHOOL:** The first day isn't a smooth one in places such as Dallas, Seattle and Naperville, Ill. 3A.

**BROADCAST POSTPONED:** ABC delays "town meeting" with Mikhail Gorbachev, Boris Yeltsin. 1D.

**WAR RAGES ON:** Despite a weekend cease-fire

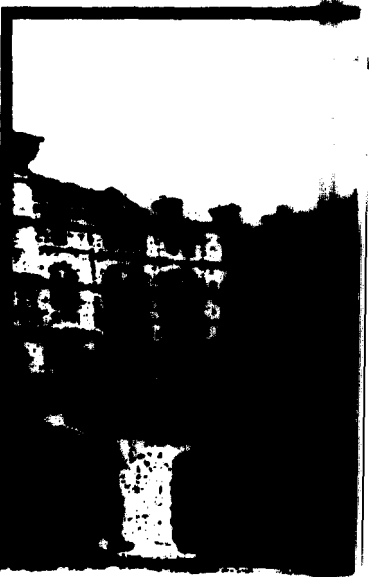
# TC

**No. 1 IN THE**



**PUMPED FOR A POINT**

# Sow Bust



else is jump-  
mutual funds  
In fact, the  
now in low-  
mutual funds.  
billion into  
re than any  
t that much  
ust as well.  
ecause short-  
average tax-  
1 5.31% last  
/Donoghue's

ket deposit accounts yielded 5.02%. A  
month certificates of deposit yielded a  
measly 5.57%. To earn 7%, you have to  
tie up your cash in a five-year CD.  
Because of such low yields, bond  
funds look tempting. In July, the latest  
month for which information is avail-  
able, the average government bond  
fund yielded 7.17%, Lipper Analytical  
Services says. Funds that invest in secu-  
rities issued by the Government Nation-  
al Mortgage Association, or Ginnie Mae,  
yielded an average 7.77%.  
But investors treating bond funds as a  
form of savings or money market ac-

lose a chunk of your investment when  
you sell a bond fund if the market doesn't  
go your way. And the risk of that happen-  
ing is greatest when rates are low.  
Say you buy a \$1,000 bond that pays  
8% interest, or \$80 a year, until the  
bond matures and the issuer repays  
your \$1,000. If you sell before the bond  
matures, you can get more or less than  
the bond's face value. Suppose that  
when you decide to sell your 8% bond,  
newly issued bonds pay 9%, or \$90, in  
interest each year. You'd have to sell  
your bond for about \$890 — an 11% loss  
— in order for your \$80 interest pay-

Long-term Treasury bond yields are  
now hovering around 8%. That's within  
a quarter of a percentage point of their  
lows for the past four years. Analysts  
say yields could fall as low as 7.75% the  
next few weeks, but the odds favor high-  
er bond yields — and lower bond prices  
— over the long term. If so, you'd earn  
more in a money fund.  
If you can't resist bond funds, choose  
funds that invest in bonds that mature  
in seven years or less. Those funds will  
give you slightly lower yields, but their  
share prices will fall less than half as  
much as long-term bond funds'.

## ng blues



Carl Noonan in a hotel even though Federal Express slashed travel costs.  
By Fred Mertz

### COVER STORY

# Firms keep the brakes on to curb costs

**Delta enters  
shuttle wars,  
Business  
Travel, 4B**

By Desiree French  
USA TODAY

The clamps are on at  
Federal Express.  
For many of its 94,000  
employees, here's the

# Disenchanted Wall Street looks to '92

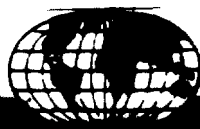
By Gary Strauss  
USA TODAY

**How stocks  
fared in  
August, 3B**

Happy new year.  
Today is the traditional start  
of a new year on Wall Street.  
Vacations are over. Many  
companies start their fiscal  
year. And analysts begin to  
take a hard look at 1992 earnings  
prospects.  
"You can forget 1991 at this  
point — it's over," says A.G.  
Edwards strategist Alfred  
Goldman. "People are already  
looking ahead to next year."  
Few analysts are uncorking  
champagne bottles and tossing  
confetti just yet. That's because  
the economic recovery is un-  
der way — it's not a real  
cut in loss, not the end of the  
year, it's just a start.

The hunch is that the econo-  
my will rebound by next year.  
But it's an old hunch that keeps  
getting pushed back.  
Who really knows? In Janu-  
ary and February, stocks  
soared on the belief that the re-  
cession would be over by now  
and corporate profits would  
rise. But for most companies, it  
hasn't happened.  
Last week, Goldman Sachs  
cut its '91 earnings estimates  
for several airlines. Brown  
Bros. Harriman cut estimates  
for IBM, while Oppenheimer &  
Co. cut '91 and '92 estimates for  
food company Great Atlantic &  
Pacific Tea Co.  
Is this a harbinger for more  
bad news? Probably.

"Overall earnings expecta-  
tions for the third and fourth  
quarters are still too high," says  
Prudential Securities analyst  
Melissa Brown. "They'll proba-  
bly have to come down for  
1992, too."  
That could unhinge stock  
prices — now at lofty levels be-  
cause most investors continue  
to bet a recovery is near.  
"People may be willing to  
write off the third quarter, but  
if earnings don't begin to recov-  
er by the fourth quarter, I don't  
know if the market can justify  
stock prices at these levels,"  
says First Boston market strat-  
egist Carmine Grigoli.  
Further cuts in interest  
rates, brightening prospects for  
democracy in the Soviet Union  
and Eastern Europe and a  
glimmer of better economic  
news could bolster stocks.  
But if the economy contin-  
ues to look shaky, money man-  
agers will be tempted to sell  
stocks that have posted big  
gains this year.  
Profit taking often occurs in  
early December but could  
come into play much earlier  
this year, says Glenn Cutler,  
editor of Market Mania.  
"If you see the market com-  
ing under pressure, why not  
lock in gains now?" he says.



# THE McALVANY INTELLIGENCE ADVISOR

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## IN THIS ISSUE:

**April 1991**

- I. THE US ECONOMY IN DECLINE . . . . . P. 2
- II. THE US BANKING CRISIS: THE DAY OF THE RUN . . . . . P. 8
- III. WHAT TO DO TO SURVIVE THE COMING DEPRESSION AND BANKING CRISIS . . . . . P. 13
- IV. THE WORLD IN BRIEF . . . . . P. 16



Donald S. McAlvany  
Editor

## Economic Rollover: The Day of the Run

*"The prudent see danger and take refuge, but the simple keep going and suffer for it." Proverbs 27:12*

*"My people are destroyed from lack of knowledge." Hosea 4:6*

### INTRODUCTION

✓ The Persian Gulf War is over and Americans have begun to refocus on the US economy. The country continues to sink rapidly into recession or worse even as Wall Street and Washington crank up their propaganda machine that "happy days, if not here today, are just around the corner."

George Bush and Allen Greenspan say almost daily that the recession will be a short, brief, mild, shallow downturn - followed by a strong resurgence in growth. Bush recently told the Economic Club of New York that "we'll come out of this in a couple of quarters and have a robust economy." It's called "jawboning" - psyche the American people that everything is fine so they'll start spending and borrowing again.

But is everything fine - is the US economy and financial system fundamentally sound and just experiencing a typical cyclical slowdown? This writer doesn't think so. The most gargantuan debt pyramid in world history is continuing to implode and take down record post-depression numbers of banks, S&Ls, insurance companies, businesses and individuals into default, bankruptcy and collapse.

There were 60,000 businesses which filed bankruptcy last year (most of them before Bush even acknowledged

that we were in a recession) - that was a 21% increase over 1989. Those failed companies had debt of \$65 billion, up 80% from the debt of failed companies in '89. That, of course, reverberates to the banks, S&Ls, commercial paper and bond markets. Large business failures are up 40% this year over last year. In 1990, there were 720,000 persons who filed for bankruptcy, up 17% over 1989. The national bankruptcy rate has more than doubled in the past five years.

America's budget process is completely out of control with \$400 billion in Federal deficits about to become the norm in the 1990s, as \$200 billion deficits were in the '80s. America's federal debt, \$1 trillion in 1980, is now approaching \$4 trillion (only 12 years later) and is expected to reach \$13 trillion by the end of the decade.

Foreigners see and understand America's financial insanity, and have almost stopped financing our government debt/spending binge. The US dollar has terminal cancer (or AIDS) and its long term free fall is only in temporary remission today because of post-war euphoria and the fact that foreign central banks are propping it up until they can gradually unload their huge dollar positions.

Bush, Greenspan, and Wall Street point to the stock market, which has surged over 400 points since the start of the war, to almost 3000 (DJIA) at this writing, as proof that the recession is mild and short lived, and that the economy is fundamentally sound. But the US stock market is the easiest facet of our economy to manipulate. (It may also be making a massive double top at this writing.)

The McAlvany Intelligence Advisor edited by Donald S. McAlvany is a monthly analysis of global economic, monetary, and geo-political trends which impact the gold and precious metals markets and is explicitly Christian, conservative, and free-market in its perspective. Information contained herein has been carefully selected from sources believed reliable, but absolute accuracy cannot be guaranteed.

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A media barrage, hyping and playing on post-war euphoria and repeating the "recession is mild and short" theme a thousand times a day, in conjunction with selective buying of key Dow stocks by large cash laden financial institutions with close ties to the government were enough to ignite a giant rally in the stock market.

Cooperation from large cash rich Arabs now beholden to Bush for saving their skins has helped push the market up. A huge short squeeze on the massive short position in the stock market prior to January 16 has also pushed the market up sharply. And finally, the little guy has jumped on the bandwagon via no-load equity mutual funds.

The whole thing is not that difficult to orchestrate if you have the money and the power. But it is only a temporary psychological fix - it does not alter any of the deteriorating long-term financial fundamentals in the economy, it does not alter the long-term decline in most Americans' standard of living, it does not alter the deteriorating US debt pyramid, banking system, US dollar, real estate market or economy. It should also be remembered that the stock market had sharp run-ups between 1929 and '33 - in the midst of the Great Depression and before the US bank holiday which saw 4,000 banks fail.

[ED. NOTE: George Bush will do anything to get re-elected (even take the country to war) and Allen Greenspan and Wall Street will do their best to help. The Fed has panicked and is presently attempting massive monetary re-inflation. If they should succeed in temporarily slowing the economic free-fall, Bush, Greenspan and the establishment press will declare victory over the recession and may even be able to con the American people into believing same - at least through the November '92 election. But this will be a bear trap. Everything they are doing for temporary relief will make the long term financial crisis that much worse.]

The Administration, the Fed and Wall Street will play with smoke and mirrors (and deception) to try and convince the American people that all is well (and they may even succeed temporarily) but all is not well. The financial system is fundamentally sick. This issue will analyze that sickness and what the prudent investor should be doing to get out of harm's way even as the majority of the sheep are being led to the slaughter.

## I. THE US ECONOMY IN DECLINE

If one looks beyond the Wall Street/Washington/media hype, one can see an economy that is fundamentally flawed, that is in deterioration and in

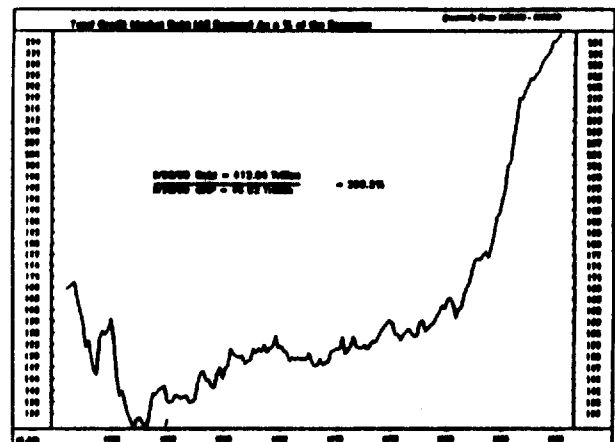
decline. We have surging unemployment, soaring credit card delinquencies, record mortgage defaults, record personal bankruptcies, falling home values, cratering consumer sentiment, falling retail sales, collapsing auto sales, etc.

The common denominator behind most aspects of this decline is debt - private, corporate and governmental - and a lack of financial discipline and self-control. In the generation where "If it feels good, do it," we adopted the philosophy, "If we want it, buy it, and borrow money to pay for it later." That philosophy has brought us to the financial brink in 1991.

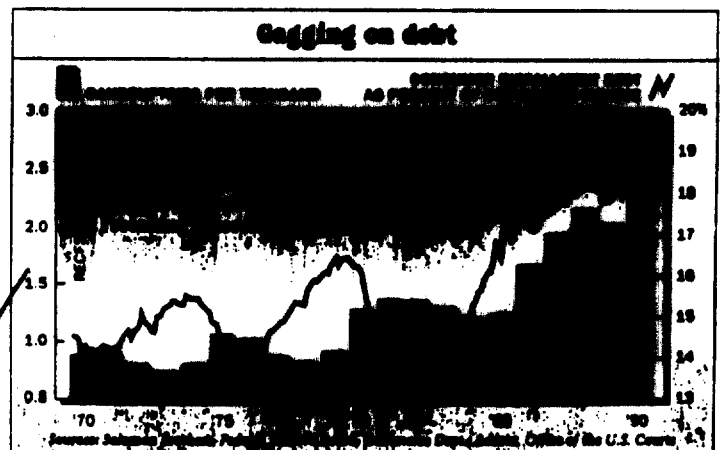
Meanwhile, GNP, employment, housing starts, corporate earnings, and consumer confidence are all continuing to fall like a rock. GNP fell 2.1% in 4th quarter '90 and is expected to fall even more in the first quarter of '91.

### A. THE US DEBT CRISIS

In 1931, near the beginning of the Great Depression, America was the world's largest creditor nation. In 1991, at the beginning of America's second Great Depression, we are the world's largest debtor nation. US government debt is approaching \$4 trillion and is likely to reach \$13 trillion by the year 2000 (according to forecasts by the Bank Credit Analyst and the Figgie Corporation). The US must borrow \$100 billion a



Source: Ned Davis Research



## **STATEMENT OF RICHARD P. BOTT, II**

In 1985 I decided that it would be good for me to build my own radio stations and go into business for myself. In July, 1985 I filed an application for a new FM frequency in Central Valley, California and an application for a new FM frequency in Blackfoot, Idaho. I selected Blackfoot, Idaho after studying the market as a broadcast market, and studying the competitive situation in the area.

When both applications became designated for hearing at approximately the same time in the summer of 1987, I realized that I then needed to decide where I was going to live and make my home. It was then that I decided to move to Blackfoot and personally run that station.

In September 1987 I traveled to Blackfoot. I met with community leaders, and I looked at available homes and studio space that a real estate agent had picked out for me.

Over the next several years I was disappointed with how long it was taking for this application to go through the comparative hearing process, but it remained my intention and plan to build the station in Blackfoot, move there and personally run the station full time if and when I received the C.P. Throughout this time, I have rented an apartment in Kansas City rather than buy a house, in anticipation of moving to Blackfoot.

In April of 1990, the FCC finally granted the Blackfoot Application. In February, 1991 the FCC's award of the Blackfoot C.P. to me was affirmed by the Court of Appeals. I proceeded with more detailed planning for the station. I decided that I would operate the



station with a religious format. All of my previous years of radio experience had involved religious format stations.

As the overall economy had worsened, I knew I could still successfully operate the station and serve the community with a religious format. I had contacts with potential clients, and there was an opening in the market for that format.

On September 25, 1991, I learned that that opening had just closed. On that day I visited the office of Maranatha Advertising in Costa Mesa, California. Its main client is the Word For Today broadcast from Calvary Chapel Church. In a conversation I had with the media buyer, Teresa Rivera, I learned that the church had just purchased a new FM radio station in Pocatello, Idaho that would serve much the same market area I was proposing to serve with my proposed station from Blackfoot. She told me the church was going to increase the station's power and would use a format very similar to the one I was planning to use, featuring many of the same clients I was planning to sell time to.

Upon further investigation I learned that she was correct. The station, KRSS, which is actually licensed to Chubbuck, was acquired by the church in the fall of 1991, and is operated as a commercial religious station. I confirmed that KRSS was going to carry many of the same religious programs I had hoped to put on my station.

For me this dramatically changed the competitive situation in the market. The church had a tremendous head start. I knew it would be many months before I could get my station on the air. I also knew that the market was too small and the economy too "soft" to support 2 commercial religious stations. I felt I had lost a good market opportunity because of the nearly 6 year delay involved in the comparative hearing process.

Throughout the remainder of 1991 and into 1992, I proceeded with planning for construction of the station while I explored the options available to me.

In January 1992, I requested and received an updated site management plan from the BLM. On January 10, 1992 I requested, and later received new call letters from the FCC. I spoke to the president of the Users Group at the transmitter site. I consulted with my engineer and equipment supplier concerning technical aspects of the construction and the necessary equipment. I contacted Mr. Kent Frandsen to proceed with my plans to install my antenna on his tower. Over the course of several conversations, Mr. Frandsen suggested to me that, if anticipated changes in the FCC duopoly law were adopted, he would like to buy my C.P. At first, I told him it wasn't for sale. But upon further reflection, I thought that with the change in the local competitive situation with the format I knew best, and with the poor overall state of the economy, a station with a duopoly operation and its inherent efficiencies and economies probably represents the best hope for a successful operation.

I consulted with my attorney and he told me that FCC law permitted me to sell my C.P. for the expenses I had into it at that point. I then decided that was the best thing to do, and contacted Mr. Frandsen to make arrangements to sell the C.P. to his company, Western Communications, for my expenses.

I declare under penalty of perjury that the foregoing is true and correct.

11/9/92

Date



Signature

### DECLARATION

I, Richard P. Bott, II, hereby declare as follows:

I am the permittee of Station KCVI(FM), Blackfoot, Idaho, having been granted the permit following a comparative hearing.

An application I filed in September, 1992 to assign the KCVI permit has been designated for hearing. I have reviewed the Hearing Designation Order, and give this declaration to point out and correct a serious error in the Commission's statements of fact.

I did not make the determination to operate KCVI with a commercial religious format until after the grant of my permit had been affirmed by the U.S. Court of Appeals in February, 1991 and was no longer in contest. At the time my grant became certain I proceeded with more detailed planning for the station and decided, in the course of that planning, to broadcast a religious format.

My hearing testimony quoted in the Hearing Designation Order at par. 9 is correct and is entirely consistent with what I have just declared.

However, at para. 3 and 9 of the Hearing Designation Order the Commission claims that in a pleading in this matter (the opposition on my behalf to a petition to deny the assignment), I represented that throughout the comparative proceeding I always intended to operate my Blackfoot station with a commercial religious format. That is false. I have never made that representation, and it would not be true.

My declaration of November 9, 1992, filed in support of the opposition to the petition, makes my representation on this point: "In April of 1990, the FCC finally granted the Blackfoot

Application. In February, 1991 the FCC's award of the Blackfoot C.P. to me was affirmed by the Court of Appeals. I proceeded with more detailed planning for the station. I decided that I would operate the station with a religious format. All of my previous years of radio experience had involved religious format stations."

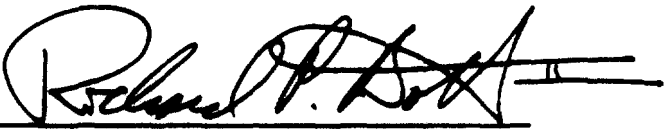
I have, since reading the Hearing Designation Order, reread the opposition to which my November 9, 1992 declaration is attached. At pp. 2-3, the opposition pleading says "circumstances arising only after the Court affirmed the grant made clear the window of opportunity had closed for establishment of the type of radio station Mr. Bott had decided to operate -- a commercial station with a religious format." While that language may have been misinterpreted by the Commission to mean that my format decision was made during the comparative proceeding, before the court's ruling, that is not so. As my declaration attached to that pleading makes clear, I decided to broadcast with a religious format only after the Court of Appeals 1991 decision. In the worsening economy I believed I could operate the station successfully if I chose to use that format. I had over the years developed contacts with persons in the religious broadcasting field -- persons who might be potential timebuying clients -- and I knew in 1991 that there was an opening in the market for that format at that time; that is, no other station in the market was broadcasting a commercial religious format. Then, after I had made my format decision I discovered, in September, 1991, that an FM station in the Pocatello, Idaho area had been purchased by a church and was

going to increase its power and coverage, and use a religious format very similar to the format I had decided upon. I nevertheless continued to move forward with development of the permit, but in 1992 decided to seek to assign it for my expenses.

To conclude, I did not decide upon a commercial religious format for my Blackfoot station until after the grant of my permit was certain, and I have not claimed otherwise in this assignment proceeding.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 24<sup>th</sup>, 1993.

  
Richard P. Bott, II

Richard P. Bott, II  
MM Docket No. 87-223  
File No. BPH-850711MM

Bott Exhibit No. 3

INTEGRATION PROPOSAL

Richard P. Bott, II, an individual applicant, will be integrated into the day-to-day operation and management of his proposed FM radio station.

Mr. Bott will serve as General Manager of the proposed station, working at the station on a full-time basis of at least 40 hours per week. As General Manager, he will supervise all personnel and otherwise be responsible for all day-to-day operations of the station in the areas of programming, promotion, technical operations, and business affairs. ✓

Richard P. Bott, II  
MM Docket No. 87-223  
File No. BPH-850711MM

Bott Exhibit No. 3  
Page 2

DECLARATION

I, Richard P. Bott, II, declare under penalty of perjury,  
that the information contained in the foregoing exhibit is true  
and correct, to the best of my knowledge and belief.

Further Declarant sayeth not.

Executed at Collierville, TN on the 20<sup>th</sup> day of  
November, 1987.

  
Richard P. Bott, II

BIOGRAPHICAL STATEMENT OF RICHARD P. BOTT, II

My name is Richard P. Bott, II. I am currently a Vice President and a director of Bott Broadcasting Company, Independence, Missouri. I hold similar positions with the related companies of Victory Communications, Inc. and Bott Communications, Inc..

I am a citizen of the United States and I have lived at 8603 Buckingham Lane, Kansas City, Missouri, for approximately the past four years. If my application is granted, I will move to and make Blackfoot, Idaho my domicile.

I will serve, on a full-time basis of at least 40 hours per week, as General Manager of my proposed station.

I graduated with honors from Bob Jones University in Greenville, South Carolina, in 1977. I received a Bachelor of Science Degree. I majored in Business Management and minored in Radio and Television. In 1981, I received a Masters Degree in Business Administration from the Graduate School of Business Administration of Harvard University in Cambridge, Massachusetts. During my MBA studies, I undertook a research project concerning the radio broadcasting business.

My broadcast experience dates back to my high school days. From 1970-73, I worked afternoons at Station KCCV(AM), Independence, Missouri, as an announcer and program producer. I



was producer of the weekly radio program "Teen Tempo." At Bob Jones University, I worked at campus Station WBJU(AM) from 1974-77. At the station, I was in charge of promotions, programming, and advertising.

For two years, from 1977-79, I was General Manager of Media Management Associates, an advertising agency in South Carolina. After spending the next two years at Harvard University, I returned to radio as General Manager for Station WFCV(AM), Fort Wayne, Indiana, for approximately a six-month period in 1981 and 1982.

In 1982, I joined Bott Broadcasting Company ("BBC") as Vice President for Sales and Marketing. In 1984, I became Vice President of BBC. I work on a full-time basis of at least 40 hours per week at BBC handling administrative matters for BBC and its associated companies' radio stations. My principal responsibility has been to ensure that the day-to-day activities of the stations are carried out in an effective and profitable manner. My managerial duties include a broad range of areas that I am personally in charge of and also some matters that I share with the President of BBC.

The duties that tend to be my principal ones are in supervising the activities of the individual station general managers, handling the sale of national advertising time on the stations, monitoring the financial conditions of the corporation and its stations, and ensuring that our business plan is met.